

## Message Text

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ACTION EA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-01 INR-05 L-01

NSAE-00 NSC-05 PA-01 RSC-01 PRS-01 SP-02 SS-15

USIA-06 COME-00 EB-04 LAB-01 SIL-01 AID-05 /063 W

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R 052001Z NOV 74

FM AMEMBASSY WELLINGTON

TO SECSTATE WASHDC 8859

INFO AMEMBASSY CANBERRA

CINCPAC

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CINPAC FOR POLAD

EO 11652: GDS

TAGS: PFOR, PGOV, PINT, NZ

SUBJECT: NEW ZEALAND UNDER ROWLING

1. SUMMARY-NEW ZEALAND POLITICAL LIFE HAS ADJUSTED OVER THE PAST TWO MONTHS TO THE DEATH OF NORMAN KIRK AND TO THE LEADERSHIP OF BILL ROWLING. MORE PRAGMATIC THAN KIRK, ROWLING'S ECONOMIC MOVES BEAR OUT THE PREDICITIONS HE WOULD PLACE MORE EMPHASIS ON DOMESTIC RATHER THAN INTERNATIONAL AFFAIRS. END SUMMARY.

2. THE MAJOR POINT ARISING FROM ROWLING'S STEWARDSHIP THUS FAR HAS BEEN HIS EMPHASIS ON THE ECONOMY. HE RECOGNIZES THIS TO BE LABOUR'S WEAKEST SUIT AND HAS ALREADY TAKEN SEVERAL STEPS TO TRY TO SLOW INFLATION AND PRESERVE FOREIGN EXCHANGE HOLDINGS. THE MEASURES ADOPTED TO DATE ARE PROBABLY TOO MODERATE TO HAVE A MAJOR EFFECT AND MORE STRINGENT STEPS MAY HAVE TO BE ADOPTED EARLY IN THE NEW YEAR. THAT NOTWITHSTANDING, ROWLING HAS MANAGED TO FOCUS ATTENTION ON THE ECONOMY IN SUCH A WAY AS TO OBTAIN MAXIMUM SUPPORT FOR HIS EFFORTS. THE GENERAL PUBLIC WAS RELIEVED THAT THE MEASURES ANNOUNCED OCTOBER 23 WERE NO MORE

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SEVERE THAN THEY WERE WHILE LABOUR AND BUSINESS LEADERS

HAVE PLEDGED TO DO THEIR SHARE TO SLOW INFLATION. THESE PLEDGES WILL BE PUT TO A SEVERE TEST IN DECEMBER AND JANUARY AS NEGOTIATIONS TAKE PLACE TO DECIDE THE AMOUNT OF THE JANUARY GENERAL WAGE ORDER. ROWLING'S APPROACH, HOWEVER, SEEMS TO HAVE HAD ITS EFFECT ON THE PUBLIC AND THE GOVERNMENT IS LIKELY TO ENTER THESE NEGOTIATIONS IN A VERY STRONG POLITICAL POSITION.

3. POLITICALLY, ROWLING HAS ESTABLISHED HIMSELF WELL WITH THE BODY POLITIC. HE IS BENEFITING FROM A HONEYMOON PERIOD AND HIS QUIET CONFIDENCE, NOTED IN EMBASSY REPORTING WHEN HE TOOK OFFICE, HAS PROJECTED WELL. HE GIVES THE APPEARANCE OF A MAN WHO KNOWS THE COUNTRY'S PROBLEMS AND HOW TO DEAL WITH THEM. WITHIN THE PARTY HE STILL HAS SOME PROBLEMS WITH THE LEFT AS WITNESSED BY ATTORNEY GENERAL MARTYN FINLAY'S INDEPENDENT COMMENTS CONCERNING THE SUTCH CASE. IT IS UNLIKELY ROWLING WILL EVER HAVE KIRK'S ABILITY TO CONTROL THE LEFT BUT IT IS EQUALLY UNLIKELY THAT HE WILL HAVE INSOLUBLE PROBLEMS IN OBTAINING THEIR SUPPORT.

4. IN INTERNATIONAL AFFAIRS ROWLING HAS PLEDGED TO CONTINUE KIRK'S POLICIES. NEW ZEALAND CONTINUES TO FOCUS ON THE SOUTH PACIFIC AND SOUTHEAST ASIA. LOW PROFILE MEMBERSHIP IN SEATO AND ACTIVE PARTICIPATION IN THE FIVE POWER DEFENSE AGREEMENT WILL CONTINUE. ECONOMIC PROBLEMS MAY FORCE SOME CURTAILMENT OF AID PROGRAMS ALTHOUGH THERE ARE NO SIGNS AT THE MOMENT THAT THIS WILL OCCUR IN THE NEAR TERM. ROWLING WILL PROBABLY VISIT ENGLAND, JAPAN AND SOME OF THE EEC COUNTRIES EARLY NEXT YEAR IN AN EFFORT TO SHORE UP MARKETS FOR NEW ZEALAND TRADE. A SHORT STOP IN THE US EITHER BEFORE OR AFTER HIS EUROPEAN SWING IS A POSSIBILITY.

5. COMMENT: ALL THINGS CONSIDERED ROWLING HAS DONE WELL IN ESTABLISHING HIS ADMINISTRATION. HE HAS GAINED THE CONFIDENCE OF THE PUBLIC AND, PERHAPS MORE IMPORTANTLY, HAS DEMONSTRATED TO HIMSELF THAT HE CAN RUN THE GOVERNMENT. AND HE RECOGNIZES THAT HIS, AND THE LABOUR PARTY'S ACHILLES HEEL IS THE ECONOMY.

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## Message Attributes

**Automatic Decaptoning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** POLITICAL SITUATION, POLITICAL LEADERS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 05 NOV 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** SmithRJ  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974WELLIN03492  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
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**Original Handling Restrictions:** n/a  
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**Page Count:** 2  
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**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** SmithRJ  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 09 JUL 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <09 JUL 2002 by shawdg>; APPROVED <25 MAR 2003 by SmithRJ>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** NEW ZEALAND UNDER ROWLING  
**TAGS:** PFOR, PGOV, PINT, NZ, (ROWLING, BILL)  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005